

# PERAC AUDIT REPORT



## Webster Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2003 / PERAC 03: 11-092-33



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

January 27, 2005

The Public Employee Retirement Administration Commission has completed an examination of the **Webster** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **2001** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report. Please note the directive from the Commission on pages 2-3 to discontinue unlawful payments being made to Board Members and Town Officials.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and expresses appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **Webster Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### **1. Board Member Stipends**

Board members are paid a \$50.00 stipend for each board meeting they attend. G.L. c. 32, § 20(4)(d) requires members of the board to serve without compensation. Board members shall receive a stipend of \$3,000 per year if the appropriate legislative body accepts the provisions of G.L. c. 32, § 20(6). The appropriate legislative body for Webster is the Board of Selectmen with approval by Town Meeting. The Town of Webster has not accepted these provisions; therefore, Board members cannot receive compensation.

#### **Recommendation:**

Payment of board member stipends must be stopped until such time as the Town accepts the provisions of G.L. c. 32, § 20(6). If accepted they must then be paid \$3,000.

#### **Board Response:**

The Board Chairman immediately placed a stop payment on the stipends for the upcoming Board meeting. The Board discussed this matter in detail at their meeting on October 27, 2004. The Board has been receiving this \$50.00 stipend for attending meetings for at least 25+ years, and feels it should continue until it is corrected at the Town Meeting in May. Paul Minarik, the Board Chairman is not receiving the \$50.00 monthly stipend.

On motion made by Pamela Leduc and seconded by Eleanor Doros, it was voted that Board Member Stipends in the amount of \$50.00 per month, and compensation to the Town Accountant and Treasurer in the amount of \$3,000.00 annually remain the same, until the Board submits an article to the May Town Meeting to correct a wrong that has been constant for many years. Pam Leduc, Eleanor Doros, and Louis Polletta voted for the motion and the chairman, Paul Minarik, voted against the motion.

#### **Final Determination:**

***The Board is hereby directed to discontinue immediately the unlawful payments outlined in finding 1.***

#### **2. Compensation for Town Accountant and Treasurer**

The Town Accountant currently receives \$3,000 for the active administration of the system. G.L. c. 32, § 4(d) gives the Board authority to compensate the Town Accountant a maximum of \$1,500. The Town must accept the provisions of G.L. c. 32, § 4(d½) to increase the compensation to \$3,000.

The Treasurer currently receives \$3,000 for services rendered as custodian of the funds of the retirement system. G.L. c. 32, § 20(4)(g) gives the Board authority to compensate the Treasurer a maximum of \$1,500. The Town must accept the provisions of G.L. c. 32, § 20(4)(h) to increase the compensation to \$3,000.

## **Webster Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### **Recommendation:**

Compensation for the Town Accountant and Treasurer must be reduced to \$1,500 until such time as the Town accepts the appropriate provisions noted above. At that time compensation may be increased to \$3,000.

#### **Board Response:**

The Board Chairman immediately placed a stop payment on the monthly payments to the Town Accountant and Town Treasurer. The Board discussed this matter in detail at their meeting on October 27, 2004. Again, Town Accountant and Town Treasurer have been receiving this payment for at least 25+ years, and feel it should continue until it is corrected at the Town Meeting in May.

On motion made by Pamela Leduc and seconded by Eleanor Doros, it was voted that Board Member Stipends in the amount of \$50.00 per month, and compensation to the Town Accountant and Treasurer in the amount of \$3,000.00 annually remain the same, until the Board submits an article to the May Town Meeting to correct a wrong that has been constant for many years. Pam Leduc, Eleanor Doros, and Louis Polletta voted for the motion and the chairman, Paul Minarik, voted against the motion.

#### **Final Determination:**

*The Board is hereby directed to discontinue immediately the unlawful payments outlined in finding 2.*

### **3. Annuity Savings Fund**

The Annuity Savings Fund general ledger account does not balance to the Membership File Supplemental Schedule. The Supplemental Schedule lists the balance of each member's Annuity Savings Account and must agree with the Annuity Savings Fund Account. This issue is caused when changes are made to member's accounts and not properly reflected in the general ledger.

#### **Recommendation:**

The Board should ensure that the general ledger agrees with the Supplemental Schedule before the membership module is closed at year-end. All variances must be resolved to ensure members' accounts are correct.

#### **Board Response:**

All retired members' annuity accounts will be transferred immediately upon retirement.

## **Webster Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### **4. Membership Review**

An examination of the Town of Webster payroll during the membership review showed that several employees were erroneously excluded from membership in the Retirement System.

#### **Recommendation:**

The Board should review the OBRA Contribution Payroll Report, which will identify all employees who are not members of the retirement system. It must be determined if they should be in the system, and if so, they must join and be given the opportunity to buyback their creditable service without interest. If they choose to buyback the time, they must be given their employment date as a membership date for rate purposes.

#### **Board Response:**

A list of all employees paying into OBRA, and who are eligible to be included in the Retirement System, has been compiled, and all employees not in the Retirement System and eligible, have joined. The payroll clerk will give me a monthly OBRA report so that I can check for any employee not in the system, and eligible, and they will be included. At the present time, I am waiting for payroll information from the school payroll clerk so that new members can buy back their time for creditable service.

#### **5. Accounting Submissions**

The Webster Board has not forwarded required accounting records to PERAC since January 2004. PERAC Regulation 840 CMR 4.03 requires each Board to:

Within four weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Commission a photocopy of the following for the month:

- (a) cash book entries;
- (b) trial balance; and
- (c) journal entries

#### **Recommendation:**

The Board must close their accounting records on a timely basis and submit required documents to PERAC.

#### **Board Response:**

All cash book entries, trial balance, and journal entries to date have been submitted to PERAC.

#### **Final Determination:**

*PERAC audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.*

## Webster Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Cash	\$3,251,669	\$905,665	\$268,351
Short Term Investments	0	0	0
Fixed Income Securities	4,010,072	4,716,406	4,623,872
Equities	0	3,256,226	3,865,496
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	3,480,421	1,111,027	1,397,400
Pooled International Equity Funds	1,492,727	356,224	420,623
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	1,302,548	1,230,925	1,102,849
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	54,304	60,946	63,009
Accounts Receivable	0	573,014	1,007,313
Accounts Payable	0	(78,504)	0
<b>TOTAL</b>	<b><u>\$13,591,741</u></b>	<b><u>\$12,131,928</u></b>	<b><u>\$12,748,913</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$4,943,447	\$4,988,341	\$4,602,504
Annuity Reserve Fund	1,902,257	1,526,833	1,567,034
Pension Fund	467,529	967,416	1,168,989
Military Service Fund	1,905	1,886	1,860
Expense Fund	0	0	0
Pension Reserve Fund	6,276,603	4,647,453	5,408,526
<b>TOTAL</b>	<b><u>\$13,591,741</u></b>	<b><u>\$12,131,928</u></b>	<b><u>\$12,748,913</u></b>

## Webster Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2001)</b>	\$4,171,024	\$1,511,951	\$1,408,871	\$1,825	\$0	\$6,678,928	<b>\$13,772,600</b>
Receipts	651,980	45,166	1,060,916	35	116,446	(1,270,402)	<b>604,141</b>
Interfund Transfers	(185,884)	185,884	0	0	0	0	<b>0</b>
Disbursements	<u>(34,615)</u>	<u>(175,968)</u>	<u>(1,300,798)</u>	<u>0</u>	<u>(116,446)</u>	<u>0</u>	<b><u>(1,627,828)</u></b>
<b>Ending Balance (2001)</b>	<b>4,602,504</b>	<b>1,567,034</b>	<b>1,168,989</b>	<b>1,860</b>	<b>0</b>	<b>5,408,526</b>	<b>12,748,913</b>
Receipts	638,861	44,351	1,167,407	26	126,007	(761,073)	<b>1,215,579</b>
Interfund Transfers	(106,081)	106,081	0	0	0	0	<b>0</b>
Disbursements	<u>(146,944)</u>	<u>(190,633)</u>	<u>(1,368,979)</u>	<u>0</u>	<u>(126,007)</u>	<u>0</u>	<b><u>(1,832,564)</u></b>
<b>Ending Balance (2002)</b>	<b>4,988,341</b>	<b>1,526,833</b>	<b>967,416</b>	<b>1,886</b>	<b>0</b>	<b>4,647,453</b>	<b>12,131,928</b>
Receipts	661,410	55,093	1,097,633	19	127,751	1,629,150	<b>3,571,057</b>
Interfund Transfers	(553,602)	553,602	0	0	0	0	<b>0</b>
Disbursements	<u>(152,702)</u>	<u>(233,271)</u>	<u>(1,597,521)</u>	<u>0</u>	<u>(127,751)</u>	<u>0</u>	<b><u>(2,111,244)</u></b>
<b>Ending Balance (2003)</b>	<b><u>\$4,943,447</u></b>	<b><u>\$1,902,257</u></b>	<b><u>\$467,529</u></b>	<b><u>\$1,905</u></b>	<b><u>\$0</u></b>	<b><u>\$6,276,603</u></b>	<b><u>\$13,591,741</u></b>



# Webster Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$539,928	\$542,688	\$514,209
Transfers from other Systems	70,751	21,813	57,270
Member Make Up Payments and Redeposits	8,284	13,900	3,108
Investment Income Credited to Member Accounts	<u>42,447</u>	<u>60,460</u>	<u>77,393</u>
<b>Sub Total</b>	<b><u>661,410</u></b>	<b><u>638,861</u></b>	<b><u>651,980</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>55,093</u>	<u>44,351</u>	<u>45,166</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	4,743	6,657	7,204
Received from Commonwealth for COLA and Survivor Benefits	10,784	139,197	46,399
Pension Fund Appropriation	<u>1,082,107</u>	<u>1,021,553</u>	<u>1,007,313</u>
<b>Sub Total</b>	<b><u>1,097,633</u></b>	<b><u>1,167,407</u></b>	<b><u>1,060,916</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>19</u>	<u>26</u>	<u>35</u>
<b>Sub Total</b>	<b><u>19</u></b>	<b><u>26</u></b>	<b><u>35</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>127,751</u>	<u>126,007</u>	<u>116,446</u>
<b>Sub Total</b>	<b><u>127,751</u></b>	<b><u>126,007</u></b>	<b><u>116,446</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	7,246	7,198	6,856
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	5	(1,334)	0
Excess Investment Income	<u>1,621,899</u>	<u>(766,937)</u>	<u>(1,277,258)</u>
<b>Sub Total</b>	<b><u>1,629,150</u></b>	<b><u>(761,073)</u></b>	<b><u>(1,270,402)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$3,571,057</u></b>	<b><u>\$1,215,579</u></b>	<b><u>\$604,141</u></b>

# Webster Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$42,397	\$88,493	\$17,608
Transfers to other Systems	<u>110,305</u>	<u>58,451</u>	<u>17,007</u>
<b>Sub Total</b>	<b><u>152,702</u></b>	<b><u>146,944</u></b>	<b><u>34,615</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	233,271	190,633	175,968
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>233,271</u></b>	<b><u>190,633</u></b>	<b><u>175,968</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	1,145,029	925,110	901,972
Survivorship Payments	87,414	82,541	66,285
Ordinary Disability Payments	30,195	29,549	28,594
Accidental Disability Payments	233,470	231,180	210,425
Accidental Death Payments	19,525	18,956	18,132
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	67,810	81,643	75,390
State Reimbursable COLA's Paid	14,078	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>1,597,521</u></b>	<b><u>1,368,979</u></b>	<b><u>1,300,798</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who			
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	2,450	2,400	2,500
Salaries	41,005	40,175	39,290
Legal Expenses	3,817	0	0
Medical Expenses	0	0	0
Travel Expenses	155	1,435	2,006
Administrative Expenses	12,073	28,500	21,996
Furniture and Equipment	0	0	535
Management Fees	43,875	44,123	46,370
Custodial Fees	5,625	9,375	3,750
Consultant Fees	<u>18,750</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>127,751</u></b>	<b><u>126,007</u></b>	<b><u>116,446</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$2,111,244</u></b>	<b><u>\$1,832,564</u></b>	<b><u>\$1,627,828</u></b>

# Webster Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2001  
AND ENDING DECEMBER 31, 2003**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Investment Income Received From:</b>			
Cash	\$2,634	\$2,946	\$25,491
Short Term Investments	3,009	3,250	0
Fixed Income	237,289	276,695	275,955
Equities	30,384	18,980	23,119
Pooled or Mutual Funds	<u>96,089</u>	<u>93,922</u>	<u>93,910</u>
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>369,406</u></b>	<b><u>395,794</u></b>	<b><u>418,475</u></b>
<b>Plus:</b>			
Realized Gains	1,024,865	200,690	378,910
Unrealized Gains	950,369	782,496	914,496
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>54,304</u>	<u>60,946</u>	<u>63,009</u>
<b>Sub Total</b>	<b><u>2,029,538</u></b>	<b><u>1,044,132</u></b>	<b><u>1,356,414</u></b>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	(2,753)	(4,078)	(2,805)
Realized Loss	(245,073)	(1,133,219)	(2,037,597)
Unrealized Loss	(242,962)	(775,712)	(700,543)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(60,946)</u>	<u>(63,009)</u>	<u>(72,161)</u>
<b>Sub Total</b>	<b><u>(551,734)</u></b>	<b><u>(1,976,018)</u></b>	<b><u>(2,813,107)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>1,847,210</u></b>	<b><u>(536,092)</u></b>	<b><u>(1,038,217)</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	42,447	60,460	77,393
Annuity Reserve Fund	55,093	44,351	45,166
Military Service Fund	127,751	126,007	116,446
Expense Fund	<u>19</u>	<u>26</u>	<u>35</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>225,311</u></b>	<b><u>230,844</u></b>	<b><u>239,040</u></b>
Net Investment Income	<u>1,847,210</u>	<u>(536,092)</u>	<u>(1,038,217)</u>
Less: Total Income Required	<u>225,311</u>	<u>230,844</u>	<u>239,040</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$1,621,899</u></b>	<b><u>(\$766,937)</u></b>	<b><u>(\$1,277,258)</u></b>

## Webster Retirement System

### STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$3,251,669	24.02%	100
Short Term	0	0.00%	100
Fixed Income	4,010,072	29.62%	40 - 80
Equities	0	0.00%	40
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	3,480,421	25.71%	
Pooled International Equity Funds	1,492,727	11.03%	
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	1,302,548	9.62%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	
Pooled Real Estate Funds	0	0.00%	
Pooled Domestic Balanced Funds	0	0.00%	
Pooled International Balanced Funds	0	0.00%	
PRIT Cash Fund	0	0.00%	
PRIT Core Fund	<u>0</u>	<u>0.00%</u>	100
<b>GRAND TOTALS</b>	<b><u><u>\$13,537,437</u></u></b>	<b><u><u>100.00%</u></u></b>	

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2003**, the rate of return for the investments of the **Webster** Retirement System was 16.14%. For the five-year period ending December 31, **2003**, the rate of return for the investments of the **Webster** Retirement System averaged 3.54%. For the 19-year period ending December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Webster** Retirement System was 9.29%.

## **Webster Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

The **Webster** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

December 10, 2003

16.08 The Webster Retirement Board is authorized to modify its investment management mandate with Loomis, Sayles & Company. After many years of utilizing Loomis Sayles as a balanced account manager, the Board has voted to retain Loomis only for fixed income. The Board will utilize a commingled fund, the Loomis Sayles Investment Grade Bond Fund that has the same strategy and benchmark as the existing account. The Board has long been satisfied with Loomis Sayles' overall level of service.

March 16, 1994

16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market or 50% of the total portfolio valued at cost including international equities which shall not exceed 10% of the portfolio valued at market.

June 26, 1991

20.03(1) Equity investments shall not exceed 50% of the total book value of the portfolio at the time of purchase and provided further that domestic equities shall not exceed 40% of the total book value of the portfolio at the time of purchase and international equities shall not exceed 10% of the total book value of the portfolio at the time of purchase.

20.03(2) At least 20% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

20.07(9) Commingled real estate funds as a separate asset category shall not exceed 10% of the total book value of the portfolio at the time of purchase and may include a separate account contract provided that:

- (a) contract holders do not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in a separate account result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

## **Webster Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Webster** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Webster Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Webster Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Webster** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

September 2, 2004

An active police officer (who is a member of the retirement system) may buy back his or her permanent intermittent time, provisional full time, or provisional part time employment. If he or she wishes to pay back into the system for previous time worked, the calculation of creditable service will be based on actual hours worked. Overtime or extra paid details are not calculated in the buy back. Auxiliary and/or reserve status is not applicable to buy back.



## **Webster Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

##### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS(Continued)**

January 13, 2004

To allow call firefighters to receive one (1) year of creditable service for each full year of service in the Webster Fire Department, provided they are call fire fighters with a stated weekly, monthly, or semi-annual rate of compensation. Call fire fighters of the Town of Webster not previously allowed into the retirement System may request membership, and may buy back the time they were employed as a call firefighter and not eligible for membership, provided said member pays back into the system an amount equal to that which would have been deducted from wages, plus interest. Base salary only shall be considered regular compensation for deduction purposes and in the calculation of retirement benefits. The buy backs may be made in regular weekly or monthly payments, through payroll deduction, or other regular payments convenient for the member, but must be paid in full before retirement.

September 2, 2004

An active police officer (who is a member of the retirement system) may buy back his or her permanent intermittent time, provisional full time, or provisional part time employment. If he or she wishes to pay back into the system for previous time worked, the calculation of creditable service will be based on actual hours worked. Overtime or extra paid details are not calculated in the buy back. Auxiliary and/or reserve status is not applicable to buy back.

August 20, 2001

Creditable Service In all cases involving part-time, provisional, temporary, temporary provisional, per diem, seasonal, or intermittent employment or service of any employee in any governmental unit prior to membership, said member shall be entitled to buy back said service, provided that said member subsequently became a member of the town of Webster Contributory Retirement System and said member pays back into the system an amount equal to that which would have been deducted from wages plus interest. Creditable service shall be computed to credit the member for that proportion of a normal year which the number of hours actually worked during that year bears to the normal working hours from the department under which the employee worked.

August 2, 1999

Buy-Backs Any member eligible to purchase military service under the provisions of Chapter 71 of the Acts of 1996 must render payment for the cost of such military service buyback in a lump sum payment or two installments, either of which must be made within a 12 month period commencing with the date of acceptance of the application by the Board.

## **Webster Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

##### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS(Continued)**

January 19, 1999

Membership Membership/eligibility:

Membership is required for all full-time permanent Town of Webster employees, excluding School Department employees, who are scheduled to work a minimum of 31½ hours per week. A full-time permanent town position shall be considered any position scheduled for continuous employment for a period of 52 calendar weeks during a year uninterrupted except for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence. Town of Webster employees, excluding School Department employees, who are scheduled to work a minimum of 20 hours but less than 31 1/2 hours per week are considered permanent part-time employees. Such employees shall become members of the Webster Contributory Retirement System upon the completion of six months of calendar service. A permanent part-time position shall be considered any position scheduled for continuous employment for a period of 52 calendar weeks during a year uninterrupted except for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence.

All part-time, provisional, temporary, temporary provisional, seasonal or intermittent employees who are scheduled to work less than 20 hours per week and/or less than 52 calendar weeks of uninterrupted employment unless for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence are not eligible for membership into the Webster Retirement System.

Call Firefighters are not eligible for membership into Webster Retirement System.

March 27, 1997

Creditable Service Part Time Eligibility A person must work a minimum of 20 hours per week in continuous employment in a permanent position for a period of 52 calendar weeks during a year uninterrupted except for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence in order to be eligible for membership.

A school department employee must work a minimum of 20 hours per week in continuous employment in a permanent position during a school year uninterrupted except for required military service, authorized paid vacation, sick, personal leave or other authorized leave of absence in order to be eligible for membership.

June 14, 1996

Membership New police academy recruits are not eligible to become members of the Webster Contributory Retirement System until successful completion of the Police Academy.

November 6, 1991

Membership: All permanent full-time employees are required to enroll as a member of the Webster Contributory Retirement Systems immediately upon the commencement of employment.

**(AMENDED June 14, 1996 and January 19, 1999).**

# Webster Retirement System

## **NOTES TO FINANCIAL STATEMENTS** (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Pamela A. Leduc

Appointed Member: Paul J. Minarik Term Expires: Indefinite

Elected Member: Louis Polletta Term Expires: 06/30/07

Elected Member: Eleanor P. Doros Term Expires: 06/30/06

Appointed Member: Daniel Bonnette                      Term Expires: 12/31/05

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$30,000,000/\$1,000,000
Elected Member:	)	MACRS Policy
Appointed Member:	)	
Staff Employee:	)	

# Webster Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting** as of **January 1, 2001**.

The actuarial liability for active members was	\$12,768,601
The actuarial liability for retired members was	<u>12,273,128</u>
The total actuarial liability was	<b>25,041,729</b>
System assets as of that date were	<u>13,772,600</u>
The unfunded actuarial liability was	<b><u>\$11,269,129</u></b>
 The ratio of system's assets to total actuarial liability was	 55.0%
As of that date the total covered employee payroll was	\$5,948,701

The normal cost for employees on that date was 7.80% of payroll

The normal cost for the employer was 2.10% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.00% per annum

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2001	\$13,773,000	\$25,042,000	\$11,269,000	55.0%	\$5,949,000	189.43%
1/1/1998	9,711,000	18,817,000	9,106,000	51.6%	4,688,000	194.24%
1/1/1996	7,254,000	12,933,000	5,679,000	56.1%	4,007,000	141.73%

## Webster Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2003**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Superannuation	4	5	3	7	5	6	4	4	10	4
Ordinary Disability	0	0	0	0	1	0	0	0	0	0
Accidental Disability	0	1	0	3	1	0	1	0	0	0
<b>Total Retirements</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>10</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>4</b>
 Total Retirees, Beneficiaries and Survivors	 114	 119	 115	 121	 124	 122	 120	 126	 126	 125
 Total Active Members	 207	 207	 217	 212	 214	 215	 206	 229	 193	 198
 <b>Pension Payments</b>										
Superannuation	\$521,221	\$512,358	\$554,936	\$645,918	\$736,300	\$778,324	\$834,287	\$901,972	\$925,110	\$1,145,029
Survivor/Beneficiary Payments	65,650	81,383	72,955	79,789	77,857	80,331	88,279	66,285	82,541	87,414
Ordinary Disability	7,020	8,180	7,299	7,503	17,445	2,776	28,354	28,594	29,549	30,195
Accidental Disability	91,922	119,408	112,380	163,670	156,096	178,522	197,145	210,425	231,180	233,470
Other	<u>70,598</u>	<u>77,942</u>	<u>103,949</u>	<u>91,732</u>	<u>98,153</u>	<u>86,996</u>	<u>100,394</u>	<u>93,522</u>	<u>100,599</u>	<u>101,413</u>
<b>Total Payments for Year</b>	<b><u>\$756,411</u></b>	<b><u>\$799,271</u></b>	<b><u>\$851,519</u></b>	<b><u>\$988,612</u></b>	<b><u>\$1,085,851</u></b>	<b><u>\$1,126,949</u></b>	<b><u>\$1,248,459</u></b>	<b><u>\$1,300,798</u></b>	<b><u>\$1,368,979</u></b>	<b><u>\$1,597,521</u></b>

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